

News & Views

ECONOMY

Govt's first solar panel manufacturing tender draws zero response

The government's first tender for 3Gw of solar panel manufacturing, along with 10Gw of power plant, has received no bids. The tender was first issued in May this year and extended several times owing to resistance from the industry over tender specifications. Officials in the Solar Energy Corporation of India (SECI) — the nodal agency for renewable project tenders said the deadline has been extended "at the request of the industry." He further said that there is no case of failure of tender, as 15 days have been offered to the companies for submitting their bids. Sources said major players shied away from this bid, citing that there is no funding push from the Centre, which reduces the viability of solar manufacturing in the country.

Govt raises import duties on 19 major items to curtail widening CAD

Nearly two weeks after announcing its plans to curb "non-essential" imports, the government raised import duties on 19 items, including consumer electronics, diamonds, jewellery, jet fuel and leather footwear, to curtail the widening current account deficit. The import of these 19 items cost Rs 860 billion in 2017-18, according to the finance ministry. This, however, constituted just 2.8 per cent of India's total import bill last financial year, raising question marks over the efficacy of the measure. The highest number of items on the list belongs to the electronics category, which makes up the third-biggest chunk of the import bill after crude oil and gold. The customs duty on speakers, air conditioners, household refrigerators, and washing machines of less than 10 kg has been hiked from 10 per cent to 20 per cent.



SC upholds constitutional validity of Aadhaar card, but with caveats

The Supreme Court upheld the constitutional validity of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, but curbed the scope of the controversial biometric identity project by diluting several of its provisions. A five-judge Constitution Bench presided over by Chief Justice Dipak Misra ruled that Aadhaar would not be mandatory for opening bank accounts and getting mobile connections. But the 12-digit unique identity number would remain mandatory for filing income tax returns and availing of subsidies and benefits under various schemes of the government, according to the majority judgment. The Bench said Section 139AA of the Finance Act, 2017, which made linking the Permanent Account Number (PAN) with Aadhaar mandatory, had a legal backing.



India ranks 96th on Economic Freedom Index; HK, Singapore retain top spot

India's rank improved by a couple of notches, but it was still placed 96th among 162 countries in this year's report on Economic Freedom in the World, released by the Centre for Civil Society (CCS) in conjunction with Canada's Fraser Institute. Last year, India's rank was 98. India improved its score on parameters such as legal system and property rights, access to sound money, freedom to trade internationally and regulation of credit, labour and business. However, its score declined in size of the government. In overall ranking, India was evenly placed among BRICS nations. While Russia and South Africa are ahead of India at 87th and 94th, China and Brazil are behind at 108th and 144th positions. The 2018 report is based on data from 2016. Hong Kong and Singapore again topped the index, continuing their streak as the first and the second country, respectively. New Zealand, Switzerland, Ireland, the US, Georgia, Mauritius, the United Kingdom, Australia and Canada (tied for 10th) were among the top 10.

Govt plans making Aadhaar compulsory for filings under Cos Act

The government plans to make Aadhaar compulsory for regulatory filings made by key managerial personnel and directors under the Companies Act so as to weed out bogus entities. There are more than nine lakh active companies in the country and the proposal comes at a time when authorities have stepped up efforts to curb money laundering activities through shell firms. Registered companies have to submit filings as mandated under the Companies Act in electronic format through the MCA21 portal. The Ministry of Corporate Affairs is "actively considering" integration of Aadhaar for availing various MCA21 related services. In a notice, the ministry has requested individual stakeholders to obtain Aadhaar at the earliest for "integrating their details with MCA21". Besides, it has emphasised that information in Aadhaar is in harmony with PAN (Permanent Account Number). "When implemented, all MCA21 services shall be available based on Aadhaar based authentication only," the notice said.

COMPANIES

IL&FS Financial Services defaults on Rs 4.4-billion loan and deposits

IL&FS Financial Services, a subsidiary of IL&FS, said it defaulted on Rs 524.3 million of short-term deposit due September 27 and Rs 1.04 billion of term deposit due on September 25. The company has also failed to make payments for five bank loans which was due from September 12-26 amounting to Rs 2.85 billion. The Reserve Bank of India (RBI) has asked IL&FS Financial Services to reduce debt exposure in all the IL&FS group entities by March 2019 in conformity with the RBI's regulations on non-banking financial services on group debt exposure. The RBI's inspection of the IL&FS Financial Services Limited for fiscal 2018 revealed that the NBFC's exposure to IL&FS group entities have increased over last few years and it also breached the regulator's norms on capital adequacy ratio and group exposure limits as on March 2018.

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Nalco to scale up downstream portfolio, plans Rs 55.2-bn project

National Aluminium Company (Nalco) is placing high stakes on downstream Aluminium business. After co-developing a downstream park with Odisha Development Industrial Infrastructure Corporation (IDCO) and planning joint ventures with foreign players- Almex and Rusal, the navratna company has pledged an investment of Rs 55.2 billion on a major downstream complex at Kamkhyanagar in Dhenkanal district. Billed as the largest investment in metal downstream space in Odisha, the project will be funded wholly from Nalco's internal accruals. "Nalco's focus is on constant value addition. There is huge demand for value added aluminium products. Apart from catering to the demand, product diversification will also shore up our margins", said Nalco's chairman & managing director T K Chand. For the planned downstream complex, 188 acres of land has been identified.

Honda Cars India to step up auto parts export to counter falling rupee

Honda Cars India plans to step up export of auto components in a bid to shield itself from the falling rupee, company's top official said. The local arm of the Japanese car maker, which exported components worth Rs 15 billion in the 2017-18 fiscal year to Honda's subsidiaries across countries such as Philippines, Thailand, and Japan, is looking to ramp up overseas shipment and aggregates to Rs 17 billion by the end of this fiscal year. The move will offer a "natural hedge" against the depreciating rupee, said Rajesh Goel, senior vice president and director sales and marketing at Honda Cars. "An aggressive localisation of the models and exports of cars and parts are the only ways to counter the falling rupee," said Goel. Since the launch of the Amaze compact sedan in April 2013, which marked the company's entry into diesel car segment, Honda India has been stepping up exports of components every year, he added. The rupee has been slipping against the US dollar in recent days as emerging markets come under pressure. That has made the local currency one of Asia's worst performers, losing 12 per cent this year, Bloomberg reported. On Monday, the rupee closed at 72.45 to the dollar. Like other global car makers in India, Honda imports parts and completely knocked-down kits of cars from Japan, Thailand, and some other south-east Asian countries. A depreciated rupee will bump up the company's import bill.

Flipkart doubles seller additions ahead of Big Billion Days sale next month

Post Walmart's acquisition of 77 per cent stake in Flipkart, the Indian e-commerce giant says it is seeing higher level of interest from sellers to register themselves onto its platform. According to the Bengaluru-based firm, its rate of addition of new sellers has doubled during the last six months period, in the run up to its Big Billion Days sale next month. "We have one lakh plus registered sellers. In the last six months, we have (seen) new sellers going live on Flipkart doubling (in number)," said Nishant Gupta, Senior Director Marketplace at Flipkart. While the addition of sellers has happened across the board, categories like fashion, home-related segments have seen most additions. "Entire fashion category has seen a phenomenal growth. In fashion, you have clothing, accessories, footwear. Then, we have also seen growth in home-related segments like furnishings, decor and household items. Even general merchandise items like toys and baby products have seen a lot of growth," added Gupta.



Maruti to move factory out of Gurgaon; shift inevitable

The relocation of Maruti Suzuki's plant in Gurgaon to a less inhabited area is inevitable, company chairman R C Bhargava said. The thirty-five-year-old plant was the company's first manufacturing facility and has a capacity to make about 700,000 cars every year. Bhargava said the relocation has to be done in a phased manner. "In the process of shifting you cannot stop the production from this plant for six-twelve months". The plant accounts for over one-third of the company's total production capacity. He said project managers will look at best ways to undertake the relocation of the facility. Besides Gurgaon, the country's largest car maker has another manufacturing unit in Haryana, at Manesar with a capacity of 800,000 units. Its parent, Suzuki Motor Corp, has made an investment in a Gujarat unit that sells cars to Maruti Suzuki for retail through the company showrooms. More than 4,000 trucks enter and leave the company's two plants in Haryana every day. The two plants receive raw materials and components from the 2,500 vendors in more than 3,400 trucks daily and send out 650 trailers loaded with cars every day. That obviously means a lot of congestion and traffic hassles for the residents.

FINANCE

Performance-based fund infusion for public sector banks unlikely

The government may ditch its plans to infuse capital into public sector banks (PSBs) based on their performance and reform measures this financial year, as it looks to pump in money to meet regulatory requirements and help grow loan books of the banks. This comes following demands from PSBs that they may require early funds from the government to help them in lending more to the industry. In its latest move, the government has decided to infuse Rs54.3 billion in the Punjab National Bank (PNB), which was hit by Rs143-billion fraud, through recapitalisation bonds. The Delhi-headquartered bank had demanded an additional capital of around Rs80 billion for 2018-19 earlier this year following the fraud. After rejecting its demand earlier, the government has infused Rs82.5 billion in PNB so far. The Centre had earlier pumped in Rs 28.2 billion into PNB for meeting its minimal capital requirement at the time of paying interest towards Additional Tier 1 (AT-1) bonds.

Govt to consider PSBs' demand to relax PCA framework for banking system

The Union government it will consider demands from public sector banks (PSB) to approach the Reserve Bank of India (RBI) on relaxing the Prompt Corrective Action (PCA) framework for the banking system in the country. Finance Minister Arun Jaitley held the annual performance review meeting of PSBs and discussed wide-ranging issues, including the need for early capitalisation of banks this fiscal year. "Bankers have certain expectations which I have told them we will consider. Some of them (banks) mentioned that the PCA guidelines should be revisited as they are indirectly affecting their lending ability. The government be more upfront in capital requirement of some of these banks," Jaitley said. He said the government was as keen as the banks to ensure the opportunity of high consumption cycle, high economic growth, bad loans recovery, and credit off-tick "is not missed."

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SEBI issues show-cause notices to 300 brokerages in NSEL case

The Securities and Exchange Board of India (SEBI) has issued a show-cause notice to 300 brokerages whose clients lost significant money in the infamous Rs 56-billion National Spot Exchange (NSEL) scam. SEBI's notice alleged that these brokerages no longer meet the "fit and proper person" criteria and hence should not be allowed to continue as intermediaries. The regulator asked these brokerages to explain why the action recommended should not be taken against them under the prescribed provisions of SEBI (intermediaries) and SEBI (stock-brokers and sub-brokers) regulations. SEBI's fit and proper criteria define basic conditions that intermediaries need to fulfil in order to perform their duties and responsibilities. Among key conditions are integrity, absence of any conviction and not being a willful defaulter. The regulator said that it has initiated adjudication proceeding and appointed designated authority on September 21 to inquire into the alleged violation of the fit and proper norms.

MCA amends Companies (Prospectus and Allotment of Securities) Rules, 2014

Every unlisted public company shall issue securities only in dematerialised form and facilitate dematerialisation of all its existing securities in accordance with provisions of the Depositories Act, 1995 and regulations made thereunder. Every holder of securities of an unlisted public company

- Who intends to transfer such securities on or after 2nd October, 2018 shall get such securities dematerialised before the transfer; or
- Who subscribes to any securities of an unlisted public company on or after 2nd October, 2018 shall ensure that all his existing securities are held in dematerialized form before such subscription.

REGULATORY

MCA Amends Companies Indian Accounting Standards rules

MCA Amends Companies Indian Accounting Standards rules by which it has amended Ind AS 20 on Government Grants, Ind AS 12 on Income Taxes, Ind AS 16 on Property, Plant and Equipment & Ind AS 38 on Intangible Assets vide notification dated 20 September, 2018.

MCA amends Companies Corporate Social Responsibility Policy Rules

Summary of the amendments brought in vide the notification dated 19th of September, 2018:



- a) The meaning of the word during any financial year used in section 135(1) was not clear. In the absence of such clarification different views were possible as to whether a company should consider net worth / turnover / net profit for immediately preceding financial year or the current financial year. In order to resolve ambiguity, the words any financial year has been replaced with the words immediately preceding financial year.

b) In case of companies where Independent Directors are not required to be appointed as per Rule 5(1), it was not clear as to how many minimum directors are required in CSR Committee.

With the amendment, it is clarified that in case of such companies, the CSR Committee may be formed with two or more Directors. Amendment to Section 135 of the Act allows composition of CSR committee with two or more directors in case the company is not required to appoint Independent Director under section 149(4).

- c) The amendment related to Sub-section (3) of Section 135 is again clarificatory change. Initially the subsection refers to areas or subjects as provided in Schedule VII within which CSR activities could be taken up by an eligible company. Schedule VII indicates the broad areas of activities for spending as CSR.

Accordingly, to bring more clarity, instead of providing that CSR policy has to indicate the activities to be undertaken by the company as specified in Schedule VII, it should indicate the activities to be undertaken in areas or subjects specified in Schedule VII. To bring harmony the Companies (Corporate Social Responsibility Policy) Rules has also been amended accordingly.

- d) CSR Rules define the term, net profit. However, explanation to Section 135(5) provides that for the purpose of this provision, the average net profit shall be calculated in accordance with Section 198.

Accordingly, there was disharmony in the Act and the Rules. For better clarity in Section 135(5) the words Average Profit is replaced with the words net profit, to bring harmony.

No government approval needed for compensation of directors: Company Appointment and Remuneration

The total managerial remuneration payable by a public company, to its directors, including managing director and whole-time director, and its manager in respect of any financial year shall not exceed eleven per cent. of the net profits of that company for that financial year. Provided that the company in general meeting may authorise the payment of emuneration exceeding eleven per cent of the net profits of the company, subject to the provisions of Schedule V. No cg approval would be required.

DIR-3 KYC – Application for KYC of Directors

DIN holders who have not filed their DIR-3 KYC yet, can file it now, with a fee of Rs. 500 from 21st September till 5th October 2018. From 6th October 2018 onwards, a fee of Rs. 5000 will be payable for reactivation of the DIN. MCA extended the due date of filing DIR-3 KYC till 15th September 2018. The penalty of Rs. 5000 will be applicable post 15th sep 2018.



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MERGERS AND ACQUISITIONS

Flipkart acquires Upstream Commerce to optimise pricing of products

Walmart-backed e-commerce marketplace Flipkart has acquired Israeli-based Upstream Commerce for an undisclosed amount as it looks to further optimise the pricing of products on its platform to better compete with rival Amazon. Upstream Commerce is a retail price optimisation platform that tracks prices and availability of products across several retailers including Walmart, Amazon, Barnes&Noble and Costcoto give its customers real time insights that help them be more competitive. "They've been around for years and serve multiple e-commerce customers around the world. Their focus will shift a lot towards Flipkart, but will continue to serve their other customers as well," said Anil Goteti, Vice President and Head of the Flipkart Market place and 2GUD.



Altor Executive Search, Vito India merge to tap growing financial sector

Two domestic executive search firms, Vito India Advisors and Altor Executive Search, will together form India's largest financial sector search and advisory firm 'VitoAltor' Advisors. This is an indication of consolidation to attain scale for tapping opportunities in the rapidly expanding Indian financial sector. VitoAltor will commence joint operations from October 1, 2018, but will take around three months to be fully integrated. The new entity will be India's largest financial services executive search specialist (by market share), said Vito and Altor in a combined statement. The partners and teams of Vito and Altor have entered into a binding agreement to form a larger platform -- VitoAltor Advisors LLP, said Saket Jain, founding-partner of Vito India Advisors, and Supreet Singh, founder of Altor Executive Search. A technical arrangement involves the merger of Altor with Vito. Reuben Mistry, CEO, Vito India, will be the new CEO of the merged entity.

Michael Kors nears \$2 billion deal to buy Italy's Versace: Reports

Luxury brand Michael Kors is close to a deal to buy hallowed Italian fashion house Versace for about \$2 billion. Michael Kors, whose roots are in the United States but which is headquartered in London, could announce a deal soon. Donatella Versace, the brand's artistic director and vice-president of the group, had called a staff meeting in Milan. Twenty per cent of Versace, known for its Medusa head logo, was bought by US private equity group Blackstone in 2014, and the family owns the rest. The group, founded by designer Gianni Versace in 1978, boasted sales of 686 million euros in 2016 and turnover is expected to exceed one billion euros in the "short term", CEO Jonathan Akeroyd said. The transaction would be intended to position Michael Kors more fully as a competitor to Paris-based LVMH and Kering and the Swiss company Richemont among global heavyweights in luxury across various product lines, analysts said.



Japan's Orix Corp keen to acquire a majority stake in crisis-hit IL&FS

Orix Corporation of Japan, which owns 23.54 per cent in crisis-hit Infrastructure Leasing & Financial Services (IL&FS), is keen to acquire a majority stake in the infrastructure development and finance company. It wants to infuse fresh capital into the company from overseas so that it can meet its financial obligations. According to a source close to the development, Orix, a global financial services player with revenues of \$23.5 billion, has two representatives on the IL&FS board and is the largest shareholder in IL&FS after Life Insurance Corporation, or LIC (25.34 per cent). "With its global reach, Orix has access to cheap and long-term capital. It can raise funds from Japan at 1-2 per cent and that too for 40 years needed for infra projects. The Japanese want expeditious clearance from the Indian government for the transaction and are awaiting special audit reports by the Reserve Bank of India (RBI) on IL&FS and IL&FS Financial for its next move," said a source.

PERSONS-IN-NEWS

Ritesh Agarwal: The 24-year-old who built \$5 bn hotel startup OYO in 5 yrs

Finding clean, affordable hotels in India can be a traveler's nightmare. Too often, what looks good on a website turns out to be a roach-infested room in a crumbling building where water has to be schlepped to the bathroom in a bucket. Ritesh Agarwal's solution is a booking app that promises truth in advertising and branded hotels that don't deliver unpleasant surprises. The chain he started in 2013, OyoHotels, has already become the largest in India, a chaotic market worth \$4.5 billion, according to New Delhi-based researcher Hotelivate. Now Agarwal is going overseas with his franchise model, which combines a reservation site with a full stack of services for small hoteliers who want to up their game. Yesterday the company said it's raising \$1 billion from Soft Bank Vision Fund, Sequoia Capital and other investors to fund expansion in countries including China, where Oyo opened in November. Last week it started service in the U.K., bringing the business to a developed market for the first time.

